

Message Text

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ACTION EA-09

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INFO AMEMBASSY BONN

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AMEMBASSY ROME

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USMISSION EC BRUSSELS

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DEPT PASS TREASURY, CEA AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: JAPAN'S BALANCE OF PAYMENTS IN JULY -- PROVISIONAL

REF: TOKYO 12294

1. SUMMARY: TRADE SURPLUS (N.S.A.) INCREASED FURTHER TO \$1.0 BIL IN JULY BUT AFTER SEASONAL ADJUSTMENT TRADE SURPLUS DECLINED TO \$0.7 BIL, ACCORDING TO PRELIMINARY JULY B/P STATISTICS. LONG-TERM CAPITAL MOVED BACK TO NET INFLOW IN JULY AND NON-MONETARY SHORT-TERM FUNDS ALSO SWUNG TO NET INFLOW. SURPLUS ON OVERALL BALANCE, WHICH WAS HIGHLIGHTED IN JAPANESE PRESS REPORTS, ROSE SHARPLY
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TO \$0.7 BIL IN JULY. SURPLUS ON OFFICIAL SETTLEMENT

BALANCE OF \$530 MIL, HOWEVER, REMAINED ALMOST UNCHANGED DUE TO NET OUTFLOW OF SHORT-TERM COMMERCIAL BANK FUNDS. OFFICIAL RESERVES ROSE RAPIDLY AGAIN IN JULY AND AVERAGE EXCHANGE RATE FOR THE YEN APPRECIATED SHARPLY BY 1.5 PERCENT TO 294.96 YEN/DOLLAR. END SUMMARY.

2. TRADE SURPLUS (N.S.A.) INCREASED FURTHER TO REACH \$1,000 MIL IN JULY AS EXPORTS INCREASED MORE THAN IMPORTS. AFTER SEASONAL ADJUSTMENT, HOWEVER, TRADE SURPLUS CONTINUED TO DECLINE, BY \$384 MIL, TO \$730 MIL IN JULY. SEASONALLY ADJUSTED EXPORTS (F.O.B.) DECLINED BY 3.4 PERCENT FROM JUNE AND TOTALED \$5,300 MIL IN JULY, RECORDING SECOND STRAIGHT MONTH OF DECLINE. ADJUSTED IMPORTS (F.O.B.), ON THE CONTRARY, ROSE BY \$198 MIL (UP 4.5 PERCENT) ON TOP OF 3.8 PERCENT GROWTH REGISTERED IN JUNE AND REACHED \$4,570 MIL IN JULY. MOF OFFICIAL STRESSED REDUCED TRADE SURPLUS (S.A) IN JULY MAY INDICATE LIKELY FURTHER REDUCTION IN JAPAN'S TRADE SURPLUS IN THE MONTHS AHEAD.

3. LONG-TERM CAPITAL SWUNG TO NET INFLOW OF \$140 MIL IN JULY FROM \$101 MIL NET OUTFLOW IN JUNE. NET INFLOW OF FOREIGN CAPITAL THROUGH BOND ISSUES ABROAD BY JAPANESE ENTERPRISES TOTALED \$240 MIL IN JULY, \$65 MIL MORE THAN IN JUNE. (NOTE: THIS INCLUDES TWO GOJ-GUARANTEED BOND ISSUES TOTALING \$140 MIL BY INDUSTRIAL BANK OF JAPAN AND NIPPON TELEGRAPH AND TELEPHONE PUBLIC CORP.) JULY FOREIGN INVESTMENT IN JAPANESE SECURITIES WAS NEARLY TWICE AS HEAVY AS IN JUNE AND RECORDED APPROXIMATELY \$140 MIL NET FOREIGN PURCHASE. (BONDS AND STOCKS BOTH RECORDED NET FOREIGN PURCHASES OF \$60 MIL AND \$80 MIL, RESPECTIVELY, IN JULY.) OUTFLOWS OF JAPANESE CAPITAL, ON THE OTHER HAND, WERE SMALLER IN JULY THAN IN PRIOR MONTH. THAT REDUCTION IN CAPITAL OUTFLOW PARTLY REFLECTED THE FACT THAT HEAD OFFICES OF JAPANESE BANKS TRANSFERRED THEIR LENDING ABROAD TO THE BOOKS OF THEIR OVERSEAS BRANCHES, ACCORDING TO MOF OFFICIAL.

4. NON-MONETARY SHORT-TERM FUNDS, INCLUDING ERRORS AND OMISSIONS, SWUNG TO NET INFLOW (\$200 MIL) FROM NET OUTFLOW IN JUNE (\$153 MIL). THIS PRIMARILY REFLECTED INCREASED BC (BILLS FOR COLLECTION) USANCE CREDITS PROVIDED BY OVERSEAS UNCLASSIFIED

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BRANCHES OF JAPANESE COMMERCIAL BANKS TO JAPANESE IMPORTERS. AS REPORTED REFTTEL, CRUDE OIL IMPORTS INCREASED IN JULY, AND INCREASED SHIPPERS' USANCE CREDITS TO FINANCE THOSE CRUDE OIL IMPORTS ALSO CONTRIBUTED TO NET INFLOWS OF NON-MONETARY SHORT-TERM FUNDS IN JULY.

5. COMMERCIAL BANKS IN JAPAN EXPORTED SHORT-TERM FUNDS (\$190 MIL) IN JULY IN CONTRAST TO NET IMPORTS OF \$416 MIL

IN JUNE. PUBLISHED OFFICIAL RESERVES INCREASED RAPIDLY AGAIN IN JULY BY \$543 MIL, COMPARED TO \$187 MIL RISE IN JUNE, AND TOTALED \$15,940 MIL AT MONTH-END. GOLD AND FOREIGN EXCHANGE TOTALED \$14,164 MIL, GOLD TRANCHE \$1,248 MIL, AND SDR'S \$528 MIL.

6. AVERAGE EXCHANGE RATE OF THE YEN APPRECIATED SHARPLY BY 1.5 PERCENT AGAINST DOLLAR TO 294.96 YEN PER DOLLAR IN JULY. BUT ON FORWARD MARKET, THE YEN REMAINED AT A DISCOUNT AGAINST SPOT YEN RATE THROUGHOUT JULY.

7. FOLLOWING ARE PRELIMINARY MOF DATA ON JULY BALANCE OF PAYMENTS IN MIL DOLLARS (IMF BASIS, NOT SEASONALLY ADJUSTED). RECEIPTS AS WELL AS INCREASE IN RECEIPTS OR DECREASE IN PAYMENTS ARE SHOWN AS PLUS. "MIN" INDICATES OPPOSIE:

	JULY	JUNE	CHANGE	
	PROVISIONAL	REVISED		
(1) CURRENT BALANCE		380	414	MIN 34
TRADE BALANCE		1,000	975	25
EXPORTS	5,780	5,618	162	
IMPORTS	MIN 4,780	MIN 4,643	MIN 137	
SERVICES & TRANSFERS	MIN	620	561	MIN 59
(2) LONG-TERM CAPITAL		140	101	241
(3) BASIC BALANCE		520	313	207
(4) NON-MONETARY SHORT-TERM				
CAPITAL AND ERRORS AND				
OMISSIONS COMBINED		200	153	353
(5) OVERALL BALANCE		720	160	560
(6) COMMERCIAL BANKS SHORT-				
TERM NET POSITION	MIN	190	416	MIN 606
(7) OFFICIAL SETTLEMENTS				
BALANCE		530	576	MIN 46

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8. SEASONALLY ADJUSTED TRADE DATA (IMF BASIS) AS FOLLOWS:

	JULY	JUNE	CHANGE
	PROVISIONAL	REVISED	
EXPORTS	5,300	5,486	MIN 186
IMPORTS	MIN 4,570	MIN 4,372	MIN 198
BALANCE	730	1,114	MIN 384

9. NOTE: RATES OF EXCHANGE USED BY MOF TO CONVERT TO DOLLAR BASIS WERE 299.51 YEN PER DOLLAR FO JUNE 1976 AND 294.96 YEN PER DOLLAR FOR JULY 1976.
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